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SUBJECT: OFFICIAL DATA SHOW RISE IN CROATIAN TOURISM FOR  
2008; UNOFFICIAL SUGGEST OTHERWISE

¶1. (U) Summary: According to official statistics, Croatia saw a 1.9 percent rise in the number of visitors for the 2008 season, but anecdotal evidence from businesses suggests the statistics may not be entirely accurate and there may already be a significant downturn in this critical industry. Regardless of the results of the 2008 season, the GOC and the industry are bracing for a weaker season in 2009, hoping at least to maintain 2008 levels through stepped-up promotional campaigns. Tourism is, by most accounts, the most important industry in Croatia. The willingness of tourists to return in large numbers next summer in the face of an economic crisis will be a key factor in determining Croatia's success or failure in weathering the economic challenges ahead. End summary.

¶2. (U) According to data from the Croatian Bureau of Statistics (CBS), Croatia again saw a rise in tourism for the 2008 season. Comparing January through August 2007 to the same period in 2008, the number of tourists rose 1.9 percent to 9.2 million and overnight stays rose 2.6 percent to 48.7 million. As in 2007, Germany sent the most visitors, followed by Italy, Slovenia, Austria, and the Czech Republic. However, with the exception of Slovenia, which showed a 3 percent increase, these top five source countries did not contribute to the overall rise in number of tourists, as their numbers stayed the same or fell compared to 2007 levels. The number of the visitors from the U.S. fell from 119,500 in 2007 to 108,300 in 2008, a 9 percent drop. Regarding destinations within Croatia, the coastal areas continued to draw the most tourists, but many inland counties also saw an increase in visits. Reflecting the continued popularity of the coast, the number of cruises stopping in Croatian ports increased from 390 to 540 (39 percent) and the number of passengers increased from 436,200 to 621,500 (43 percent).

¶3. (SBU) Some have questioned whether the CBS data accurately portray the 2008 tourism season. The CEO of Adriatica.net, Croatia's largest tour operator, responsible for one third of bookings in the country, told us that the rise in the raw number of tourists is probably accurate, but that fewer tourists are staying in hotels, opting instead for bookings in private homes. According to him, this change in travel patterns is the result of poor development and organization in the sector and caused a drop in overall revenue from tourism. Charlotte Ruhe, director of the Croatian Office of the European Bank for Reconstruction and Development (EBRD), told us she did not believe the official statistics either and thought the strong numbers reflected methodology choices more than the true situation. The hotels EBRD supports reported throughout the season that overnight stays were down from 2007 levels. Raising other questions about tourism's economic impact, recent analysis by the Croatian Institute for Tourism suggests the industry may be responsible for 10 percent of GDP rather than the 20 percent usually cited. Even at 10 percent, however, tourism forms a larger part of GDP than in other European tourist-destination countries, such as France, Austria, and Slovenia.

14. (U) Even the overall positive CBS data showed a turn for the worse into the fall. Compared to September 2007, the number of tourists dropped 6 percent and overnight stays dropped 2 percent. Although October again showed increases, both the government and the industry are bracing for the effect of the global economic slowdown on the 2009 season. In November, Minister of Tourism Damir Bajs announced he would double the advertising budget. Milo Srsen, assistant director of the Croatian Tourism Association, told us the goal for 2009 is to prevent a drop in tourist visits or perhaps achieve a 1-2 percent increase. As about 80 percent of tourism in Croatia is by foreign visitors, promotion efforts will focus on foreign markets, particularly those within driving distance of Croatia. Since 2000, Croatia has been working to move from a focus on mass tourism to more higher end -- and hopefully higher profit -- offerings. So far, the Ministry of Tourism has not suggested it will change that strategy in response to the economic situation, and it also publicly denies the sector will cut prices for the 2009 season.

15. (U) Comment: Regardless of its exact share of GDP, tourism is critical to Croatia's economy. In particular, it is a significant source of export revenues, in a country that saw a 17 percent increase in its already large trade deficit during the first ten months of 2008. With little indication other industries can do much to boost exports, a drop in tourism in 2009 would have a noticeable effect on the economy. However, preventing a drop may require more than stepped-up advertising. If tourism does prove vulnerable to the global economic slowdown, as most expect it will, it will reinforce the message that Croatia should strengthen other sectors of the economy to reduce its heavy reliance on

ZAGREB 00000003 002 OF 002

tourism. End Comment.  
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